

**MINUTES OF THE
INFRASTRUCTURE AND GENERAL GOVERNMENT
APPROPRIATIONS SUBCOMMITTEE MEETING**

Room 445, State Capitol

February 3, 2012

Members Present: Sen. Stuart Adams, Co-Chair
 Rep. Gage Froerer, Co-Chair
 Rep. Derek Brown, House Vice-Chair
 Sen. Lyle W. Hillyard
 Sen. David Hinkins
 Sen. Mark B. Madsen
 Sen. Karen Mayne
 Sen. Aaron Osmond
 Rep. David Butterfield
 Rep. Fred C. Cox
 Rep. Craig Frank
 Rep. Lynn N. Hemingway
 Rep. Neal B. Hendrickson
 Rep. Patrick L. Painter

Members Excused: Sen. Kevin T. Van Tassell
 Rep. Brad L. Dee
 Rep. Wayne A. Harper

Members Absent: Rep. Johnny Anderson
 Rep. Janice M. Fisher

Staff Present: Mark Bleazard, Legislative Fiscal Analyst
 Richard Amon, Legislative Fiscal Analyst
 Cami Deavila, Secretary

A list of visitors and a copy of handouts are filed with the Subcommittee minutes.

Co-Chair Froerer called the meeting to order at 8:04 A.M.

1. Minutes

The minutes were approved at the end of the meeting.

2. Build Board Presentation

Building Board Chair, George Daines introduced the board members present. He gave an overview of the board's six top projects: University of Utah, Ogden Juvenile Courts Building, Utah Valley University Classroom Building, Applied Technology Center (ATC) Land and Building, Weber State University Science Building, Campus building at an ATC.

Rep. Butterfield asked how the University of Utah allowed the infrastructure to get to this desperate point and if operations budgets should be accruing for these types of things. Mr. Daines answered that it has been a growing problem for 25 years. One of the problems was not having a sinking fund and undercharging the electrical costs in the sinking fund. Rep. Butterfield asked if there should be recommendations to ensure that other entities don't have the same problem? Mr. Daines answered he doesn't think it is endemic.

Rep. Hemingway asked if the Building Board regularly deals with electricity and plumbing problems. Mr. Daines will answer the question in the capital improvement presentation.

Rep. Cox stated that his understanding was that the University of Utah project was asking to be funded in half at \$25 million. Mr. Daines answered the project is \$100 million half would be \$50 million. It passed at the board at \$50 million. The Division of Facilities Construction and Management Director (DFCM), Gregg Buxton clarified there are break points throughout the project, the first would be at \$38 million, second \$31 million and the last at \$27 million to make it work.

Mr. Daines continued presenting other projects that the state is not being asked to fund. There is a courts project with \$1.9 million funded out of court revenue, a building donated from industry, a School of Dentistry Building is being donated which will include an amount allocated for future O&M, the College of Law has a donation to build a building but no O&M donations, a parking terrace will be funded from parking revenue, and the Blanding Housing Project is funded out of housing. There needs to be careful consideration about where the O&M ends up with donated buildings.

Leasing is very valuable to the state. It is a way to bridge for immediate needs as opposed to building.

In Capital Improvement projects, the private sector takes 4 percent of the cost of the building annually for capital improvement, the state makes do with 1.1 percent, and last year it was funded at .5%. There is an automatic priority for this year of \$77 million, which is .9 percent. It has been way underfunded.

Sen. Mayne stated she is in favor of taking care of the University of Utah but instead of getting donations for new buildings, get donations for maintenance.

Sen. Hillyard asked that the board alert the sub-committee to problems that may be arising, instead of waiting for things to be dire. Mr. Daines replied that the state should recognize a base funding level for capital improvements and not under fund or change the number from year to year. Entities have been doing a good job at using other sources to fund capital improvement. Co-Chair Adams added that if the University of Utah had been saving money in a maintenance fund, they might have been criticized for it. There needs to be a policy to handle it in the future. Mr. Daines' proposal is to get U of U caught up. Co-chair Froerer added that the state's number is 1.1 percent but it gets reduced every year.

3. Salt Lake Chamber Transportation Presentation

Mr. Robin Riggs, Director, Utah Mobility Coalition, is heading up a new movement called the Utah Mobility Coalition, established by the Salt Lake Chamber and led by the business community. The mission is to look out for O&M of the transportation infrastructure. It is important because of the uncertainty in federal funding. The group in place is to help focus on future expenses.

Co-Chair Adams stated that an issue to consider is user fees versus general fund, and a struggle for the state is how to best fund transportation, and how to enable the economy to expand. Mr. Riggs stated that he would be giving information to the sub-committee. The Mobility Coalition does not want to be in competition with other areas of the state in raising funds, such as education.

4. Department of Transportation Budgets

Utah Department Of Transportation (UDOT) Deputy Director, Carlos Braceras gave a follow-up of the SR14 project. It is currently funded for \$10 million but could go over \$20 million.

a. Aeronautics

Analyst Mark Bleazard gave an overview of the recommended budget for the Division of Aeronautics, which is \$27,282,400. There are five programs in the Division of Aeronautics. Administration has a budget of \$491,200. The Airport Construction Division generally has seed money of \$3,536,100 from the restricted fund that goes along with federal funds if a match is required. The Civil Air Patrol has seed money to the program of \$75,000. The Aid to Local Airports Division has a budget amount that depends on the fuel sold, \$2,242,000 is an estimate. The Airplane Operations Division has a base budget of \$940,100. The analyst recommends accepting the base budget. The issue brief shows expenditures for airport construction in the state for 2012 and anticipated in 2013.

Rep. Hemingway asked for an explanation of the increase in the line item for capitol outlay, and if it is actual versus appropriated. Mr. Bleazard responded that the increase is because more federal funding has become available than anticipated. Instead of \$20 million \$51,190,000 was received.

Mr. Njord stated that UDOT agrees with recommended budget.

b. B&C Road Program

The B & C Road Program appropriates 30 percent of the funds collected in the Transportation Fund to locals governments. Distribution is based on 50 percent of the population of the county or municipality, and the other 50 percent is based on the weighted mileage of the county or municipality. It has a recommended budget of \$129,243,000. It is subject to collections, and the estimate for 2012 is \$129,243,000. There will be an adjusted amount when the final revenue

estimates come out. An issue brief showing the distribution of FY2011 B&C Road Funds to the local governments was presented.

Sen. Hillyard commented that when the gas tax is raised, a portion goes to the local B&C, and general fund is appropriated to DOT, there is no match. Local roads rely on the B&C Funds.

Co-Chair Adams stated that to look at the numbers, there is a little growth, but is pretty flat, and that is reflected in gas tax collections. Mr. Bleazard added that it shows 1.6 percent increase in the revenue of the gas tax.

Rep. Cox asked if it is possible that the \$60 million estimated increased revenue to TIF be used as funding for road maintenance or would statute have to change. Mr. Bleazard said the statute reads that the \$60 million anticipated from SB229 will go to the Transportation Investment Fund (TIF). Roads that are built with TIF funds can be maintained with the funds. The bulk of the money would need a statute change to redirect the money to other maintenance functions.

Mr. Njord added that local governments are struggling and supplement with other funds.

c. Construction Management

Mr. Bleazard explained that most of the Construction Management budget is not for new capacity but to improve and maintain existing roads. Currently there are three programs, the Rehab Preservation Program, the Federal Construction Program, and the State Construction Program. The recommended base budget is \$211,665,800. \$91,074,800 is recommended for the Rehab and Preservation Programs. The Federal Construction Program recommendation is \$120,591,000. The Transportation Investment Fund revenue will be shown as a line item in the Capacity Program. The analyst recommends approving the budget and two intent statements. The funding sources are \$1,470,000 from the General Fund, \$27,729,600 from the Transportation Fund, \$152,831,400 from Federal funds, Dedicated Credits are \$1,550,000 and Designated Sales Tax is 1/16th of a cent anticipated to be \$28,084,200.

Mr. Njord commented that they would follow the intent language.

Co-chair Froerer asked if there is an estimate on the potential savings from the I-15 Core Project. Mr. Njord stated that the savings is projected to be more than \$200 million.

Rep. Hemmingway asked if, in anticipation of the savings, have they started to work on I-15 further south. Mr. Njord stated they have not. The project is 2/3 complete and they are narrowing down the risks with the project. Rep. Hemmingway asked if it would be better to continue on with construction while there is still a crew in place. Mr. Njord stated there are two schools of thought. One, while they are there, give them the work. Two, get another competitive bid, which is better for the state. Mr. Braceras added that the savings from the project is not cash in the bank. The anticipated \$200 million would be savings in FY2014 and will come from bonding.

Sen. Hillyard said that the state is close to exceeding the bonding limit. If bonds were not issued for the additional \$200 million, it would go along way in bringing the bonding level down. Mr. Braceras responded that if they didn't bond in FY2013, the department would find itself in a negative cash flow for 5-6 months. Sen. Hillyard added the real goal is to bring the bonding level down, the real target is 40-45 percent of the constitutional debt limit.

Co-Chair Adams asked if the authorization to bond lapses. Mr. Braceras stated that the authorization is there but they are required to go before the Executive Appropriations and review it before issuing bonds.

Sen. Hinkins asked if they would be able to keep the locked in interest rate of 2.77 percent. Mr. Njord replied that it changes every time you bond.

Co-Chair Adams asked if they would be borrowing from the general fund to stay in the black and as revenue came in they would pay it back. Mr. Njord replied that is correct, and as long as everyone knew that was happening, they would not have a problem. Sen. Hillyard said the subcommittee is aware of that and they would have a mechanism to protect them.

Rep. Frank asked how often the situation has occurred over a 10-year period. Mr. Njord replied the last time it happened the executive director lost his job. Analyst Bleazard stated there is a potential of big savings, if they did not issue the \$185 million in bonding, a savings of roughly \$66 million over the life of the bonds.

Rep. Cox asked what the cost for an extension for the I-15 core to Payson and if the Mountain View corridor is extended one interchange to the North. Mr. Braceras replied that the I-15 core is currently at \$32 million and he is not sure on the Mountain View Corridor.

d. Engineering Services

Mr. Bleazard stated that the recommended budget is \$32,025,700 for Engineering Services. The analyst is also recommending an intent statement. The budget for Program Development is \$10,931,300, Preconstruction Administration is \$1,571,400, Environmental Program is \$869,200, the Structures Program is \$2,813,900, the Materials Lab is \$4,292,000 and the Engineering Services Program is \$2,140,500. The budget for the Right of Way Program is \$1,975,800, the Research Program, is \$2,677,800, the Construction Management Program is \$4,474,500, and the Civil Rights Office has a recommended funding of \$405,300.

e. Equipment Management

There are 2,000 units of equipment in the department, which includes 498 snow plows. The recommended Equipment Purchase Program funding is \$5,022,200 and includes an intent statement. The Shops Repair recommended funding is \$22,186,000, and is funded primarily through dedicated credits. There is \$27,155,800 in dedicated credits along with \$52,900 from the Transportation Fund. There is an issue brief that recommends \$1 million on an ongoing basis to purchase equipment.

Sen. Mayne asked if the trucks are leased and then turned in or purchased and turned in after 2-3 years, because they have to start repairing them. Mr. Bleazard stated that most of the snow plows are purchased. The time period to turn them in depends on the use of equipment. Mr. Braceras added that they don't lease their snow plows, but they do lease other equipment. The department supports the analyst's recommendation.

Sen. Hillyard is hearing a lot of criticism to put barriers up through Dry Lakes in Sardine Canyon. The snow plows will have a difficult time through there with barriers up. Mr. Braceras responded that the barriers are to decrease the number of head on collisions, that area has drifting snow and winds, and they recognize the effort snow plowing will take.

f. Maintenance/Operations Management

Mr. Bleazard stated that the recommended base budget is \$141,454,900 which includes an intent statement. The Maintenance Administration Area has a budget of \$4,850,300. Region 1 has \$19,978,500, Region 2 has \$27,298,400, Region 3 has \$18,702,700, and Region 4 has \$38,573,400. The Seasonal Employee Pool has a budget of \$929,700, Lands and Buildings is \$5,524,000, Field Crews is \$11,291,000, Traffic Safety is \$3,532,300, the Traffic Operations Center is \$8,397,900 and Maintenance Planning is \$1,746,200, an intent statement is also recommended. The issue brief states there is a 1.6 percent increase in Highway Transportation Fund revenue. The recommendation is that a portion of the increase goes to maintenance, which is \$2,263,000.

g. Mineral Lease

Mr. Bleazard stated that currently the state distributes 40 percent of all mineral lease collections to various people who have minerals collected in their area. The current estimate is \$67,540,000. There is a Payment and Lieu Program which distributes money paid to local governments that have School Trust Lands, lands owed by the Parks and Recreation and Division of Wildlife in their boundaries, and .52 cents per acre is paid to local entities, totaling \$2,469,000. There is also an intent statement recommended.

Rep. Hemmingway asked if the road being funded in Emery County is from the Mineral Lease and when the road is built who maintains it. Mr. Bleazard stated that most of the time the roads are local roads and the money could be used for those types of roads. Typically the developer builds the road. Mr. Braceras added that the other portion of these funds are sent to the Community Impact Board (CIB) and is distributed to the locals. UDOT is not responsible for the maintenance.

Co-Chair Froerer moved remaining items to next weeks meeting.

MOTION: Representative Painter moved to adjourn. The motion passed unanimously.

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MOTION: Co-chair Adams moved to approve the minutes of January 25. The motion passed unanimously, with Sen. Hinkins, Rep. Brown, and Rep. Butterfield absent for the vote.

Co-Chair Froerer adjourned the meeting at 9:55 A.M.

Minutes were reported by Cami Deavila, Senate Secretary

Sen. Stuart Adams, Co-Chair

Rep. Gage Froerer, Co-Chair